



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY**

**REGION IX**

**75 Hawthorne Street  
San Francisco, CA 94105**

November 3, 2005

Commander Mark Prescott, Chief  
Deepwater Ports Standards Division (G-MSO-5)  
U.S. Coast Guard  
Department of Homeland Security  
2100 Second Street, S.W.  
Washington, D.C. 20593

Re: Proposed Cabrillo Port

Dear Commander Prescott:

This letter is in response to your September 30, 2005 request that we clarify our position on several issues raised in your letter. Since you sent your letter, there has been confusion about the accurate location of the floating storage and regasification unit ("FSRU") and based on your October 31, 2005 email to David Schmidt and telephone message to me, you have confirmed that the location of the FSRU is accurate in the Draft Environmental Impact Statement. With this clarification, we can now respond to your letter. First, I would like to thank you for your cooperation in ensuring that any revised discussions in the Final Environmental Impact Statement ("FEIS") are consistent with our determinations and approach in processing an air permit for the proposed Cabrillo Port. We are confirming that the proposed project will include a number of elements to minimize its impacts on air quality. BHP Billiton ("BHPB") is working to create an air emission mitigation package that will be satisfactory to us, and that also addresses the concerns of the Ventura Air Pollution Control District (the "District"), the South Coast Air Quality Management District ("South Coast"), and the California Air Resources Board ("CARB"). We appreciate your agency's cooperation with us on this matter and your confirmation that the Coast Guard intends to incorporate these requirements in the FEIS and that Coast Guard will work with the Maritime Administration ("MARAD") to ensure that the mitigation will be appropriately identified in the Record of Decision.

Here is our response to the four specific questions in your letter of September 30, 2005:

1. Your understanding of our preliminary determination is correct. The proposed FSRU will not trigger the requirements of the federal Prevention of Significant Deterioration ("PSD"), which applies to projects located in attainment areas, since the project's maximum emissions for all pollutants are below the PSD major source thresholds. We will be proposing an authority to construct permit ("ATC") in accordance with Ventura District Rule 10 requirements for sources located in attainment areas.

We have consulted with CARB, Ventura District, and South Coast regarding this facility and they agree with EPA's plans to utilize the Ventura District rules to permit this facility. CARB and Ventura District have also told us that they agree with our understanding of the Ventura District regulations, and our plans for proposing an ATC permit for Cabrillo Port in accordance with Ventura District Rule 10 requirements for sources located in attainment areas. We understand that state and local air pollution control agencies are seeking additional mitigation of air impacts in the CEQA process.

2. With regard to the applicability of Section 112 (r) of the Clean Air Act ("CAA"), it is correct that the regulations promulgated under CAA Section 112(r)(7) (40 C.F.R. Part 68) do not apply to the deepwater port. However, we expect that many of the risk management requirements that Coast Guard and MARAD will require in the deepwater port license, in addition to the current analysis conducted for the EIS/EIR, will address the substantive concerns of Section 112(r)(7) of the CAA.

EPA Region IX would like to see BHPB voluntarily adopt procedures which would include a management system requiring a process hazard analysis and management of change procedures, similar to those requirements found under Occupational Health and Safety Act ("OSHA") Process Safety Management ("PSM"). BHPB, or the offshore LNG port industry, could voluntarily adopt these requirements, just as the offshore oil production industry has voluntarily adopted PSM requirements which are codified in the American Petroleum Institute ("API") 14 Series. Region IX would like to see requirements for development, use and justification of models designed specifically to evaluate the offsite consequence of a "worst-case" release, rather than a "credible release" scenario using criteria similar to that used in defining "worst-case" under the CAA 112(r)(7) Risk Management Program. Region IX would also prefer to see BHPB voluntarily adopt all the risk mitigation and safety regulations that apply to onshore LNG facilities, including 49 CFR Part 193, 33 CFR Part 127, National Fire Prevention Association Standard ("NFPA") 59a, and European Standard 1473.

3. As discussed during our last call on September 14, 2005, the air impact modeling and analysis specified in the PSD regulations is not required, since the project did not trigger major source PSD modeling requirements. However, it is our understanding that BHPB has committed to using data and modeling that is supported by our interpretation of EPA's modeling guidance provided in 40 CFR 51 Appendix W. BHPB will also use the correct location of the proposed port to eliminate any discrepancies within various documents and analyses on the proposed location. Therefore we do not anticipate requiring any additional air modeling to support the proposal of an air permit for this project.

Please note that the state and local agencies (e.g., Santa Barbara Air Pollution Control

District, and South Coast) have expressed concern regarding the overall project air quality impacts. In EPA's December 21, 2004 comment letter on the DEIS, we recommended the FEIS identify all air emissions that are foreseeable consequences of the project. Although air modeling is not necessarily required in the NEPA analysis, quantification of all anticipated emissions related directly or indirectly to the project would provide valuable information for decision-makers. For example, emission estimates from vessels going to and from the FSRU should be evaluated, quantified where possible, and discussed.

4. Air quality area designations are for areas within a state. See section 107 of the CAA. Section 81.305 provides air quality area designations and classifications within the state of California. See 40 CFR 81.305. It is correct that section 81.305 does not designate nor classify air quality areas beyond the boundaries of the state of California. Generally, the CAA does not require air quality designations for areas that are outside of every state (although Section 328 of the CAA specifies how a specific type of source located outside of a state is to be treated). Thus, the portions of the Pacific Ocean that are beyond the federally-recognized limit of the state of California have not been designated.

The islands of Ventura and Los Angeles counties (and a three mile band around each island) are within the state of California. San Clemente and Santa Catalina islands are within Los Angeles County and our regulations designate these areas within Los Angeles County as nonattainment for ozone: extreme under the federal one hour ozone standard, and subpart 2/Severe 17 under the federal eight hour ozone standard. See 40 CFR 81.305. Our regulations designate the Channel Islands within the South Central Coast Air Basin (Santa Rosa, Santa Cruz, Anacapa, San Nicholas islands) as unclassifiable/attainment under the federal standards. See 40 CFR 81.305.<sup>1</sup>

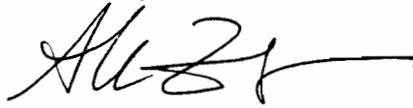
We appreciate the efforts of Coast Guard and MARAD in ensuring that the FEIS reflects current and accurate information regarding issuance of an air quality permit for the Cabrillo Port

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<sup>1</sup> All of the Channel islands are nonattainment under the state ozone standard. The South Central Coast Air Basin includes all of Santa Barbara County and all of Ventura County. See California Code of Regulations Title 17, section 60103(b). Santa Barbara County includes Santa Rosa and Santa Cruz islands. Cal. Gov. Code section 23142. Ventura County includes Anacapa and San Nicholas islands. Cal. Gov. Code section 23156. The California Air Resources Board has designated the entire South Coast Air Basin as nonattainment for ozone and, aside from San Luis Obispo County, the remainder of the South Central Coast Air Basin as nonattainment under the state ozone standard. See California Code of Regulations Title 17, sections 6020 and 60201.

project. If you have any questions on air permitting matters please contact Gerardo Rios at (415) 972-3974. For matters related to 112(r) of the CAA, please contact Kathryn Lawrence at (415) 972-3039.

Sincerely,

A handwritten signature in black ink, appearing to read 'Amy K. Zimpfer', with a long horizontal flourish extending to the right.

Amy K. Zimpfer, P.E.  
Associate Director  
Air Division

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